INDIAN COMMERCE.

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OFFICE OF THE REGISTRAR OF BOOKS
4- FEB 1933
MADRAS

THE INDIAN COMMERCE.

A high class English Monthly devoted to

Trade, Commerce, Industry, Finance, Banking, Foreign Exchange, Co-operation and Commercial Education, etc.

Office: 267 West Masi Street, Madura. (S. India)

Vol. I. *January, 1933.* *No. 1.*

THE INDIAN COMMERCE

Will be published on the 15th of every month. The subscription will be Rs. 3 inland and 7 shillings foreign per annum, entitling the subscriber to one copy every month, post free. Single copies will be sold at Annas 4. Subscription may kindly be forwarded to Mr. T. Kalyanasundram, Managing Editor, "The Indian Commerce", 267, West Masi Street, Madura. (S. India) to whom also applications for advertisement space, letters relating to the general business of the paper should be addressed. Literary contributions intended for publication should be addressed to the Editor, "The Indian Commerce" at the same address.

To Subscribers.

In presenting the first number of "The Indian Commerce" to the subscribers, the Editor feels it necessary to explain that, owing to the difficulty of making numerous arrangements in a comparatively short space of time, between the 19th December 1932 when the necessary declaration was made before the District Magistrate and the date of publication, 15th January 1933, frequently interrupted by the Christmas, New Year and Pongal Holidays, he has not been able to obtain contributions from those expected. At the same time, it should be understood that the Editor will be compelled to rely to some extent upon Professors of Commerce and Economics, Leading Public Accountants and Auditors, Commercial Lawyers, Insurance Experts, Co-operators and Bankers etc., who build up the sum total of the "Commerce" of a nation, for several valuable information relating to the objects he has in view and it is hoped that members of the above order will thus contribute towards the attainment of the object with which the paper is started, viz. the advancement of the interest of 'Commerce" of India. Hence he hopes to be judged not by results actually shown in the first number, but by the indications therein given of the course which it is intended to pursue in the conduct of this paper.

To Advertisers.

The Proprietor desires to invite the attention of Advertisers to the special advantages offered by this Paper as an advertising medium. Starting with a good guaranteed circulation and with the entire concurrence and hearty support of the leading members in the field of Commerce, and other Public men as evidenced by the numerous letters of good wishes received from them, "The Indian Commerce" may fairly hope for a large measure of success in the hitherto unexplored line of commercial journalism in the country. "The Indian Commerce" will thus secure to advertisers, viz., Proprietors of Commercial Colleges, Dealers in Typewriters and their accessories, Publishers of Commercial Books etc., both Inland and Foreign, an excellent circulation of an exclusive character and it is hoped, it will particularly be valuable as a good medium of advertisement.

Ourselves.

For some time past, we have been considering, somewhat seriously, whether in this country an up-to-date Commercial Magazine to cater to the needs of business-men, students and teachers of commerce and the general

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public in matters relating to Trade, Commerce, Industry, Insurance, Finance, Banking, Economics, Foreign Exchange and Commercial Education etc., is not a desideratum and having come to the conclusion, after deep consideration, that a periodical devoted to the above topics will not be unwelcome—nay even necessary—to the ranks of commercial journalism in the country, we have come forward with the first issue of "**The Indian Commerce**". Of course, we are aware of a few periodicals, both monthlies and weeklies, published in the country. But we believe that the interests of our Motherland which has a great part to play in the future World of Commerce, demand, and could easily accommodate, some more periodicals devoted to commerce and its allied subjects and in this light we are coming forward with this venture. We hope the public will count "**The Indian Commerce**" as a welcome addition to the eminent commercial journals.

Importance of Commerce.

About the importance of Commerce from a national point of view, we do not think it necessary to say much. Suffice it to say that it is the vital life blood of a Nation and as long as the sons of the soil do not pay proper reverence to it, it will have to be left behind in the race of world's Commerce. Recent events bear eloquent testimony to the above statement. What is the famous Ottawa Trade Agreement? Is it not a bold and ingenious attempt on the part of His Majesty's Government of Great Britain to regain the commercial supremacy she has lost after the Great War and to foster her trade and commerce by finding a wider market for her manufactures with the co-operation of her Dominions and Colonies, including the Dependency of India? The history of modern industrial countries like Japan and Germany is an eye-opener to the people of India and we have to learn a good deal from them and to imitate them successfully to take our place in the world as a worthy Commercial Nation. Every civilised Nation in this century and especially after the Great War is trying its level best, by the adoption of Tariffs and Special Treaties, to preserve its market and to expand it by finding fresh ones in all possible ways. And when such is the case with other nations, how unfortunate it is that our Motherland, India, having as it does one-fifth of the world's human race and producing a good number of varieties of raw products, is being satisfied with the role of a mere vendor of them to foreign countries for their being converted into manufactured articles to be sold, nay even dumped, again on the vast Indian market! Is it not high time that she wakes up from her torpor and boldly enters into the arena of commerce, industry and manufacture, which is no doubt, as considered by some, somewhat risky?

What is the reason for this backward state of the industrial and commercial activity of the country? Is it due to want of capital or of labour or of competent brains? Fortunately, the three accepted factors of production namely Land, Labour and Capital are in abundance. Our brethren are not wanting in capacity too. Nature has sufficiently endowed our Motherland with the two most important minerals namely, coal and iron, for its industrial activity and advancement and they only remain to be fully exploited. Then, what else shall we ascribe it to? Naturally we have to find fault with the too literary type of education, the country has been provided with for the last 50 or 60 years. When the Western World was experiencing an industrial revolution, our ancestors were engaged in learning the English language that was at that time introduced as the State language and proficiency in it opened up fresh careers as administrators of the State, Lawyers, etc. The high salary offered and the power at the command of the Government Service naturally attracted the best brains of the country that could otherwise have chosen a commercial life. Further, the majority of the people of our country at that time, even to-day, being far from adventurous were more than satisfied with a fixed monthly income and as the opportunities of obtaining a Government employ were many, they naturally preferred it to a commercial career which has its own ups and downs. Now that the educated youths find the doors of Government Service more or less bolted and the prospects even for the few entering into it are not as bright as they have been hitherto, we think, better days are dawning in the Indian horizon and in a few years they would turn to commerce in large numbers and become, in due course, the future captains of industry.

In the eighties and nineties of the last century, "Commercial Education" in England was exactly the same as that is being experienced in India to-day. The several Chambers of Commerce began to tackle this problem of the propagation of commercial education in right earnest and after a good deal of preliminary enquiries, commissions and discussions, they came to the conclusion that facilities afforded for commercial education in those days were not as adequate as they ought to be. To remedy that vital need, several commercial associations were formed for the furtherance of particular professions, such as Societies of Accountants, Secretaries, etc. The Institute of Chartered Accountants was formed by Royal Charter in 1880, for organising the profession of Accountants and Auditors. In 1891, to organise the profession of Company Secretaries, the Institute of Chartered Secretaries was founded, and like the former body, it too had the blessings of a Royal Charter, from Her Majesty the Queen Victoria. In the wake of these, several other Societies of Accountants, Secretaries, Insurance and Commercial Associations and Commercial Examining

Bodies were formed. As an outcome of the formation of these bodies, a great impetus was given to the study of the science of commerce and to meet with the increasing demands of the youths of the country, commercial schools and colleges, run both by private bodies and County Councils obtaining financial help from the State came into existence. In the course of about fifty years, 1880 to 1930, commercial education has reached such importance and wider popularity in England that one in India who has been closely watching its progress, would, to say the least, be simply surprised to note the rapidity with which it had progressed. In spite of this, the prevailing opinion among the chief Commercial Educationists to-day is, that the country has still much more to do in the field and that what they have done is but a drop in the ocean.

When such is the case in England,—a country thousand times better than India in matters relating to Commerce and Commercial Education,—would it be wrong when we say that our country, especially the Presidency of Madras, is far backward, in this respect? This is, to some extent, due to an apathy shown to commercial education by the Educationists of our Province. The University of Madras, founded, as early as, full three-quarters of a century ago, has not yet seen its way to award a "Commerce Degree". The Government of Madras, holding Technical Examinations to popularise the study of commercial subjects, are conducting them in their own way, mainly to suit their own departmental needs. The number of commercial schools, run on right lines, under the control of the Educational Department is so small that it can be counted in one's fingers' ends. In this connection, we are sorry to note that the Government of Madras, instead of making more provision for the encouragement of commercial education, a duty rightly undertaken by most of the Western Countries, have decided last year to close the three Schools of Commerce they have hitherto been running for the past several years, with a view to saving a few thousand rupees, on the plea that private enterprise in the field of commercial education has become sufficiently great. In due course, we would examine the problem of commercial education in all its aspects and bearings and express our views and suggestions.

Our Hopes and Aims.

Bearing in mind the above said requirements of our country, we have embarked upon this journalistic enterprise. "**The Indian Commerce**" is proposed to be published in the middle of every month, as a periodical devoted to Trade, Commerce, Industry, Finance, Banking, Foreign Exchange, Insurance, Co-operation and Commercial Education and to discuss problems relating thereto for the benefit of business-men and to

educate the students and teachers of commerce, so that a *commercial bias* may be created all over. It is our ardent desire that "**The Indian Commerce**" should serve the country as a beacon light of commercial education and have a wide range of readers and with this object in view, we propose to cater to the needs of the fastidious business-men, by discussing problems of importance in the world of commerce, to the needs of the students of commerce, by publishing interesting articles on commercial subjects with which they can supplement their text-book knowledge and keep them abreast of modern news and views in the commercial world and to the needs of the general public by giving them up-to-date and much useful information pertaining to monetary and banking problems, the Laws of Income-tax, Super-tax, Negotiable Instruments, like Cheques, Pronotes, and Joint Stock Company administration etc. In short, we wish "**The Indian Commerce**" becomes a medium of *Commercial Adult Education*, to reach the hands of all at a reasonable price. To achieve our ambition, we have secured the services of able writers, both Indian and Foreign, who have made a mark in the business world and as such can authoritatively deal with the topics we have in view in their interesting and valuable articles. Our special feature will be the Students' Section, where will be published the Questions and Answers of the Government of Madras Technical Examinations, the Government of India Accountancy Diploma Board, the Institute of Chartered and Incorporated Accountant Societies, London and other various English and Indian Commercial Examining bodies of repute. We should be extremely glad to receive articles of interest from our numerous readers with their suggestions for the improvement in the scope and utility of "**The Indian Commerce**" and earnestly solicit their hearty co-operation in the successful achievement of our ambition. We need hardly say that we should consider ourselves sufficiently rewarded if the readers find in the pages of "**The Indian Commerce**" anything worthy of their commendation so as to deserve their unstinted sympathy and support.

Editor.

News and Views.

The Shorthand Writers' Provincial Conference, Trichinopoly.

On the 27th and 28th December, 1932, the First Shorthand Writers' (Madras) Provincial Conference was held at Trichinopoly under the distinguished presidency of M. R. Ry. T. R. Venkatarama Sastriar Avl., C.I.E., of Madras. Most of the resolutions passed at the Conference are worthy of public sympathy and support, and the following are some of them.

1. That the holding of periodical tests for stenographers employed in Government offices is unnecessary and humiliating, as such tests are not held anywhere else or for any other Government servant and request Government to cancel their orders on the subject.

2. That in view of the paucity of shorthand writers, who have passed the Higher Grade, and as the shorthand writers who have passed the Lower Grade are doing their jobs pretty well, the allowance of Rs. 15 hitherto granted to the latter should be continued until conditions change.

3. That in view of the extraordinary strain which stenography entails, Government be requested to so amend the Pension Rules as to permit shorthand writers who have put in not less than 20 years service under Government to retire on full pension and that proportionate pensions be granted to persons retiring earlier.

4. That as the position of a stenographer is one of trust and responsibility, he should be paid a salary commensurate with the duties he has to discharge.

5. That the Conference requests the Government of India, in the interests of national economy, only Indian Reporters be appointed for all future Royal Commissions and Committees instead of importing English Reporters on high salaries, as there is already a large number of able and competent reporters in this country itself.

6. That the Conference deplores that no settled policy has hitherto been adopted in the selection of examiners in shorthand and requests the Commissioner for Government Technical Examinations to give mofussal teachers and shorthand writers of experience an opportunity to serve on the Board.

7. That the Conference recommends the formation of a Central Association at a convenient place in the Presidency and calls upon shorthand writers in the various districts to form associations where they do not exist at present and get them affiliated to the Central Association. The existing associations will also be requested to have themselves affiliated to the Central Association.

8. That the Conference recommends the publication of a monthly journal to further the interest of the profession.

The Report of the Bombay Re-organisation Committee.

The official summary of the above report under the head 'Vocational Colleges' contains a paragraph reading "The Sydenham College of Commerce (Bombay) does not justify the Committee's criterion that the supply of students trained in it, is of real advantage to the tax-payer. It should not be retained, unless it is proved that by reduction of cost and an increase of fees it can be made self-supporting." We are sure this recommendation of the Committee will cause much concern to those interested in the cause of Commercial Education and as such the prominent business-men, Chambers of Commerce and others, not only of Bombay but also of India as a whole, will immediately take steps to mobilize public opinion and prevail upon the Authorities concerned emphasising the need for retaining it, by reorganising the curriculam of studies so as to meet with the present day needs of the country, by minimising the working expenditure and, as far as possible, without increasing the fees which are sufficiently high even now.

Post and Telegraph Guide, April 1933 Edition.

It has been decided, the Postmaster-General, Madras Circle states, to enhance the price of the above publication to Re. 1/- from the existing rate of annas 8 per copy. That this is a publication from which the Department is not expected to obtain a profit, everybody will concur. If now the price has to be increased, naturally it should be due to want of sufficient support of the public who have been hitherto patronising it, because it has been decided from last year to publish it yearly once in April, and that its usefulness as an authoritative book of reference on Postal and Telegraphic matters has become very limited and of short duration only, on account of the recent too many changes in the rules. The April 1932 edition, at the present day is far from useful and reliable. So, we would suggest the Director-General of Posts and Telegraphs, will kindly arrange to supply every purchaser of the Guide, through the subscription system, with correction slips as soon as the Rules are amended, and thus ensure the continuing utility of the Guide until the next edition is published. Considering the fact that the subscribers have hereafter to pay Re. 1/-, 100 per cent. more than the last year price, we think they are justly entitled to this additional service.

The Inter-Allied Debts.

BY

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None of the statements of modern economists have been so prophetic as those of John Maynard Keynes with regard to the Inter-allied Debts and Reparations. Even as early as 1919 when the war had only just closed, he wrote in his classical work "*The Economic Consequences of Peace*" that it would be unreasonable to expect anything

more than one million pounds from Germany by way of reparation. In 1930, the Young Commission appointed to determine Germany's reparation payments also represented that the maximum annual payment that Germany could make was only two million marks or one million pounds, the estimate of J. M. Keynes.

Writing about the Inter-allied Debts, the same reputed economist wrote definitely that Europe would not pinch herself so that her production might go elsewhere to satisfy the American creditor. That has come true now and the attitude of France and England towards war-debts is simply a fulfilment of what had been prophesied by J. M. Keynes a decade ago.

The origin of the Inter-allied Debts must be traced to the Great War. During the war, the belligerents could not concentrate their attention on production of their requirements and consequently had to import from America commodities on a huge scale for which they could not pay by way of exports, as they were too much engrossed in production for destruction. Again a war of the magnitude of the last war could not be financed without resort to foreign loans and this necessitated large borrowings from America, the only country which was in a position to render financial help. The only gainer, therefore, in the war, was America and her huge paper obligations took solid shape in the past few years when more than 13 countries of Europe were bound to pay to her in instalments, about 5 billion dollars; and the payment was extended over a period of seventy years. A large part of Europe, thus, had bound itself to pay 'tribute' to America.

If America insists on the payment of her debts and if Europe continues to pay really, to the United States, "the war must appear in retrospect as a beautiful idyll of thrift, a gigantic process of foreign investment, the creation of a sure source of income which will continue to flow, across the Atlantic till the present century is almost at an end. Unborn Americans would wax fact on the labours of unborn Englishmen, Germans, French men and Italians." But the question is whether America will insist on her pound of flesh and whether Europe could and would pay.

There is no doubt about the fact that America wants her debts back and the note of the Americen President to Britain is very clear on that. The Statesmen of Europe thoroughly misunderstood the Hoover Moratorium declared last year. They welcomed it as a happy augury for a new state of things and looked on it as a prelude for the final cancellation or at least a considerable reduction of their liabilities. It is upon that basis, in the last Lausanne Conference the war debt clause was eradicated and Germany's payment was fixed at such a low sum as 150 million pounds. For, the problem of reparation payment cannot be settled independently of the inter-allied debts. But all the hopes of European statesmen were shattered by the American note to Britain, a few days back for the payment of her debts.

The arguments of America on this point are extremely logical. She insists on the strict observation of contracts and if Europe pleads inability to pay, she at once points out with sarcasm to the growing military expenditure of the European states. Her

plain question is this: If Europe could find it easy to pile up its expenditure on armaments, how could she plead inability to observe a legitimate contract?

The other aspect of the problem is whether Europe is willing and able to pay or what will be the economic repercussion if Europe is forced to pay. About the willingness or otherwise of Europe to pay, we cannot say anything. But as students of economics we could examine the implication of America's insistance and its probable consequences on Europe and world affairs.

One is led to think that America has two motives in her stern attitude and determined demand of the payment of her debts. One is that she desires to extend her market in Europe and the other is that she wants to use her claims as a weapon wherewith to compel the European nations to disarm which would enable her to reduce her military expenditure. This motive of America is very laudable from the point of view of world disarmament and world peace.

About the consequences, immediate and remote of Europe's payment, one or two observations may be made. If America is to be paid, it must be either in goods or in gold. Goods she has refused to take from Europe as her increasing tariff wall is clearly indicative of that. In gold Europe cannot pay as almost all the available gold lies idle in the bank vaults of France and America, a major portion in the latter. This maldistribution of gold is not a little responsible for the present world crisis and if what little gold is available in Europe is exported to America, there is no hope for the economic recovery of the world in the near future. The statement of Lloyd George that we are passing into and not through an economic crisis would become literally true. Again if the allied and the associated powers have to pay as indicated by the British Premier in his note to the President of U. S. A. a revision of the Lausanne Agreement would become necessary and heavy obligations would be imposed on Germany which she could and would never fulfil. The probable result might be an attempt to re-occupy the Ruhr Valley and a thorough overhauling of the *status quo* in Europe and the statement of a reputed economist that the present economic crisis represents the death-pangs of capitalism and the birth-pangs of socialism would become too true.

Would it be then possible for America to remain a passive and exultant spectator of these events without being vitally influenced by the European and world-affairs in general?

Co-operatise Indian Commerce.

BY

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A call from the Editor of the "*Indian Commerce*" cannot be answered better than by a counter call to co-operatise Indian Commerce. The Great War which was put forward as the herald of an Era of Economic Independence and Democracy has come and gone. Economic rivalry and exploitation are not laid low; they still continue as the governing factors in the trade-finances of several couutries. There is a regular attempt on the part of each country to consolidate its forces, not for a similar union with the rest of the world but for effective defence, if not at least for effective 'trade offensive' measures. The phrase "Commonwealth of Free Nations" sits so lightly on the conscience of everybody, and more so, on the Commerce Members of several Cabinets. A real *International*—one who feels happy with all, recognising no country or creed barriers—stands aghast at this glowing march of trade selfishness, trade policies and tall-tariff walls and he has but to exclaim with Mr. H. G. Wells "Has organising intelligence been applied to a *world-wide basis* to the production and distributiou of food? The question answers itself. In spite of all our knowledge, *this essential phase of the world's work, is a chaos, a haphazard drifting* arrangement.........Here is a vast problem that is calling for the organising intelligence of mankind.........What we need is sympathetic thinking, constructive brains, *a plan laid down in world-terms*, that will disentangle and weave together, in a *common system*, the complex details of our present arrangement."

This conception of a 'world-good' and a pursuit of the same by persons possessed with organising intelligence are only possible when they feel that "production for use and not for profit" should be the guiding rule and a service-impetus should take the place of a profit-motive. This ideal can be achieved only if our financiers and powers that be at the helm of our commerce-control are really co-operative in their outlook, in their ideals and in their procedure and policy. It is up to the International Labour

Office, The League of Nations,—Economics and Co-operative Sections—to foster this ideal and gospel. What thousand treaties cannot manage, what thousand pacts cannot solve, can be met by a real co-operative endeavour, to mutually understand the difficulties and enunciating an elastic policy of adjustment which would mean world peace and not a howling at; or bargaining for the payment of debts. Co-operators have a mission in this direction, Co-operative politicals have to meet often and foster an international understanding.

Coming nearer home, India is a vast continent. Except for the small inland barriers between Indian States and other Non-British Territories, the Indian Inland Commerce is very mobile. Generally big guns of the merchant world manage the inland trade but one peculiarity is that very few of them have a country-wide organisation. So, the trade is still in the hands of individuals, which means several good and bad effects on the consumers population, "Capital and Branches" activities in Indian Commerce are still in the infancy and the inland trade is suffering from an over weightage of commissions and middleman's profits, sometimes justified and sometimes unjustified. One cannot vouchsafe that the prices of commodities—we shall restrict ourselves to the Indian made articles—will be equal all over, of course allowing a margin-difference for transport charges, Not this alone, we have the awful spectale of different prices for the same commodity in one and the same place. This creates a sudden inflow or outflow of goods, sudden change in prices and what is worse an almost permanent instability in the market. Normal trade in ordinary merchandise becomes a speculative enterprise, not seasonal but almost permanent. Added to this the 'fixed price' system has to be a fixed price system for the day alone.

Several factors contribute to this appaling situation. Indian Commerce is still not organised. Even in big cities, the merchants stand separate and look strangers to one another. An organised move or conception is impossible. Except in a few places in North India and other metropolitan towns, the Indian Merchants' Chambers have not been created and even now many of them are immobile. In South India, the situation is aweful. Till very recently very few of the cultured population were taking to trade and till then the trade was run in the conservative old—nevertheless safe—way. Policy of trade affairs, information about trade centres, news from and to producing stations have been entirely unknown and in fact their importance was not at all cared for.

The resultant benefits were also unknown. Merchants *bonafide* felt that there was no use in gathering such details and some of them felt it as "too much dabbling in trade matters". Brainy men had not the means and money to know them. To keep oneself in touch with the trade markets meant expenditure and the purse of the beginner or the mediocre-merchant cannot bear such a strain. The Indian Commerce requires—required also before—a smart intelligent pilot whom every ordinary trader cannot have. An intelligent manager is an asset to a Capitalist and it is happy to note that our North Indian magnates have really able commercial advisors and secretaries and pay them amply. To pay for such a person is beyond the capacity of the ordinary merchant though he may be happy to avail himself of the advantages. Again, the establishment charges of individual merchants vary with their tastes and capacity to manage,—establishment is sometimes not warranted by necessities and needs. Dr. Lanka Sundaram, M.A., Ph. D., formerly of the Leage of Nations Secretariat, speaking the other day at Vizag., in the Third Swadeshi Exhibition stated "In all modern industries, there are well organised institutes supported by all merchants and aided by the Governments. Germany had an institute for "*Konjunkturfarschung*" whose aim is to study international trade vicissitudes and price levels and to prepare forecasts of the market and to supply expert advice to the manufacturers about supply, demand and production. Something of a similar nature is necessary in this country. Unless the producer is thus forearmed and equipped with foresight, his efforts at capturing potential markets would be doomed to failure".

So the union of all commercial men is necessary; but what can small men in the profession do? They ought to unite too to achieve the result. The only possible way it can be done is by means of a co-operative effort. A large co-operative organisation of producers and sellers or a Stores organisation on a Provincial scale or an All-India scale, by means of establishing branches or by federating the existing institutions, is the only possible wayout. That will solve the problem of the large and small producer, and the large and small consumer. The incidental expenditure on expert advice, management and other large scale expenditure which a poor individual or even a society cannot afford to bear, can be met by a large co-operative organisation, functioning in the centre with autonomous branches working in different parts of the Province.

The productive centres can be controlled and organised with the centralised

finances available and the co-operative provincial organisation can have an effective control and can distribute the produce with the margin of a limited profit, which in its turn goes to the members and purchasers by way of bonus and dividends. The economic dangers stand also eliminated in such projects. "*Co-operative Information*" (published by the International Labour Office, Geneva) No. 12, 1932, while writing on the Co-operative Union and Wholesale Society in Sweden writes: The economic risk is eliminated as much as possible through the special composition of the assets. If the money value should be inflated, the stocks of goods, real estate, machines and other inventory would be the best security against losses. If the development should take the opposite direction—deflation—the strength lies in the commercial bank deposits, governmental and municipal bonds and other gilt-edged papers and loans on mortgages etc., should the value of the Swedish crown finally be stable, all items of the balance are booked quite satisfactorily".

The Wholesale Society in Sweden, *Kooperative Forbundet* (K. F.) has taken to affiliations by which it possesses the entire capital. Nowadays the productive works are left as formally independent ventures to suit the new Income-tax legislation. Among the new ventures are:

(1) The Swedish Magarine Trust has, by the intervention of K. F., been responsible for considerable price reductions from which the whole nation has benefitted.

(2) The intervention of K. F. in the flour industry caused a contraction in the margin between grain and flour prices from both sides and producers as well as consumers have thus benefitted from this action. It has led to the increase in the production of feeding stuffs which in its turn results in the prosperity of the agricultural population.

(3) The K. F. has acquired a shoe factory preparing 1000 pairs a day. Large number of retail shops are opened.

(4) A superphosphate factory with a productive capacity of 500,000 bags of 20% superphosphate a year has been acquired. It has been able to reduce the prices for the farmers of the country. By the spring of 1933, by a special agreement with the Cartel, the prices are

likely to be brought to a level with the international market.

(5) Similarly, the Luma Electric Bulb Co-operative Factory has reduced the prices of electric lamps.

By the organisation of such large scale enterprises on a co-operative basis, it has been able to absorb large funds and spend larger sums on co-operative propaganda, education and publication.

What is possible in such a small country like Sweden is not impossible in India. It is up to our Indian Co-operators to shake off their conservative outlook. The Indian Co-operation has been mainly a credit co-operation and that too rural. It has not achieved any high measure of success even there. It should turn its attention to pastures new, think of taking and harnessing Indian production and commerce relating to the vital necessary products of the citizens, though not luxuries. The co-operative store or a producing society should be the king or controlling force in the price-market.

The Triplicane Urban Co-operative Society should take a new outlook. It should move towards controlling producing centres or create producing camps. It should not be "mere selling agents". Will the Madras Co-operators take a lead and start a new chapter in the Madras Non-credit non-co-operation? It means courage, enterprise and expert management. If the Triplicane Urban Co-operative Society fails, no other society can and it should be said to the discredit of such a premier society that it refuses to move from out of the ordinary rut. I request the authorities of the T. U. C. S. to take a bold stand and try this experiment at least in one industry or in one producing centre.

Correspondence.

All communications must be authenticated by the name and address of the writer, not necessarily for publication, but as a guarantee of good faith. Anonymous communications will invariably be rejected. Communications intended for publication should be addressed to the Editor, "The Indian Commerce", 267 West Masi Street, Madura (S. India).

The columns of "*The Indian Commerce*" will be open at all times for the discussion of principles and rules of procedure and the ventilation of important matters connected with Commerce, Commercial Education etc., and we wish it to be distinctly understood that the criterion adopted in the admission of matter for publication in this section will be one having regard solely to its general utility and fitness for publication, subject, of course, to the consideration of the limited space at our disposal. We cordially invite our numerous readers, business-men, Professors and Students of Commerce, Public Accountants and Auditors, and the general public to make as good a use of this section as possible and thus make "*The Indian Commerce*" a *common and accepted medium* for the discussion of topics peculiar to the betterment of the Commerce of the country, in general.

EDITOR.

Advertisement in Trade and Trade in Advertisement.

BY

K. S. SRIKANTAN, Esq., M. A., F. R. Econ. S. (London).

To define advertisement is to attempt the impossible. Nor is it necessary to do so. Hardly there is any who is not baffled by some advertisement or other whether he is in the street or in the Railway Station or again in the coffee club. In fact it is very difficult to spot at a place where there is not some kind of advertisement. No other activity in the 20th century has claimed the ingenuity of man so much as the art of advertisement. The art is growing so rapidly that almost every day we are treated to a new surprise in the mode of popularising the article. In short "it is the education of the public as to who you are, where you are, and what you have to offer."

But advertisement in spite of its universal importance is still an infant art in India. But it cannot long remain an infant, for the hope of India is in her commerce and advertisement is the soul of all commerce. In fact, the amount spent in advertisement has become to-day the barometer of a Nation's commercial prosperity. Countries spending the largest amount are also commercially the most advanced and the reverse is also equally true. U. S. A. spending more than 100 million pounds per annum reigns supreme in the commercial world, while India, spending as it does, a negligible sum has no position worth the name in the commercial realm. Advertisement is not mere giving of information—it is something more—it is the means of bridging the ever widening gulf between the consumer and the producer—it aims at getting every purchaser his product and every product its purchaser.

Advertisement is certainly no science and cannot lay claim to it either. It depends so much on the whims and fancies of mankind that its methods should be ever changing. In the words of Sir Lawrence Weaver " it seems unwise to speak of Advertisement as a science. It is doubtful whether any activity into which so many personal factors enter can be developed with the exactness science suggests. It seems truer to describe it as an art which can be better practised after a close study of a large body of ascertained fact." That it is an art is also clear from the fact that "Advertisement" in the European countries, employs the artists most. Their services are in constant demand for shaping, decorating, and displaying the article.

It is unfortunate that Advertisement should still be looked upon with suspicion. Many among the educated still consider advertisement a waste, while others consider it an annoyance, sheer exaggeration and so on. Such ill-defined antipathy cannot long rest upon a mere abstract idea—it seeks some concrete object and therefore the epithets applied to the art are soon transferred to those who practise it. Advertisement is certainly no waste. It covers its own cost by increasing the demand and consequently reducing the cost of production. The value of water, it is said, is only realised when we lack it—so also in the case of Advertisement. Commerce without advertisement will be like an artist without his eyes.

It is wrongly thought that "Advertisement" is essentially a twentieth century weapon and some of the criticisms are due to no small extent to its supposed novelty. The art is as old as the hills. Never was there a time when the seller was not anxious to find a purchaser for his articles and every century in the Economic History of the world has only added something fresh to this art. As early as 1658, we hear of an excellent Advertisement for Tea appearing in *Mercurius Politicus* in the following words:—

> "That excellent and by all physitians approved China drink, called by the Chineans Teha, by other nations Tay alias Tee is sold at the Sultanesshead, a cophee house in Sweetings rehts, by the Royal Exchange, London."

To-day its importance has increased a thousandfold. A well-known soap flake is said to be spending £150,000 to advertise and is estirflated to be making a net profit of half a million. Its importance cannot easily be exaggerated. It is no longer a mere commercial weapon. The politician has begun to wield it successfully for his own purpose while the scholar and the artist have found in advertisement a lucrative occupation for themselves. The state has always used the columns of the Newspapers for notifying open contracts. The success of Great Britain in the recent war was due to a considerable extent to advertisement. It was during the war that the late Sir Hedley le Bas started an active and persuasive advertisement campaign which got a marvellous patriotic support for the War loans. Governments, more than business firms, have now begun to use advertisement for the sale of their products. The appointment of a Trade Commissioner by the Mysore State in

London is a case in point. Not long ago the Australian Government, faced with the problem of securing an outlet for the increasing export of their dried fruit and other commodities, instituted in England an Advertising Campaign. The Director of Australian Trade publicity in London is charged with the duty of convincing the Home Consumer that Australian dried fruits are good.

The problem of Advertisement was brought to great prominence by the creation of a separate organisation for advertising Imperial products. In July, 1927, there was an advertising exhibition at Olympia. It attracted thousands. The educative influence of Advertisement is second only in importance to its commercial. In fact H.R.H. the Duke of York said when he was in the Advertising Exhibition at Olympia, "Advertising is really a form of education." It informed the public where and how they could get the things needed. It is in the nature of an Intelligence Service. Advertisement adds to our stock of knowledge without any effort on our part. A mere knowledge of a certain number of books gives a certain authority to the Teacher in the class which he cannot otherwise have. It is our daily experience that we can strike a better bargain in a shop if we know the different brands of the same thing. The retail dealer is taken aback when he finds the customer that asks for a soap naming several other brands. This authoritative tone of the customer makes the retail dealer think twice before he gives out any but the normal price.

It is really a question whether Advertisement benefits the seller or buyer more. A good advertisement, it must be admitted, benefits the society most. Few among us realise that our newspapers are maintained by advertisement. It may occupy only a small portion of a standard paper—yet it is that, that pays for the other pages. America spends £50,000 on newspaper advertisement alone, while one French House is said to be spending on advertisement to the extent of £20,000 annually for its wares. The back cover of a certain periodical is said to be getting an annual income of £800 per annum in America. How much the country owes to the newspapers and periodicals can only be imagined and Advertisement is their main proof.

Advertisement has raised the standard of life and has educated the public in the art of wise spending. It has checked considerable waste by creating an equilibrium between supply and demand. It helps all. Those who have money can have a knowledge of things, those who have not enough

are tempted to save and those who have, are shown the way to the best market. Advertisement unlike mercy results in a triple benefit.

'It blesseth him that gives, him that takes

And him that neither giveth nor taketh."

Educating the society, benefiting the purchaser and profiting the seller, the case for advertisement is clear.

The unemployed, more than anybody else, know how much they owe to Advertisement. It is their only hope in this hopeless time. In fact the constancy or otherwise of an Advertisement often guides the choice of profession in life. It is not perhaps known, that Advertisement far from being a means to get employment has now become a refuge for some of the unemployed. It has become a great art and skilled advertisers are sought everywhere. The old and fantastic idea that success in Advertisement depends upon a catchy slogan is no longer true. The incompetent and the quack have no place. A capable advertiser should be a person of wide knowledge. He should have a clarity of thought, grim persistence in research, extreme patience and thorough going mastery of psychology. A new class of Advertising men have arisen and play a very conspicuous part in modern industries.

In spite of all this, there are still men who look down upon this Art. There are some who believe in the good old theory 'Good wine needs no bush.' This might have been true when there was no competition—but to-day without Advertisement, the society would be like a ship without a rudder and compass. Others think that Advertisement is the art of touching the gullibility of the people. A large number still hold and perhaps legitimately too, that there is an element of exaggeration in every advertisement. Such advertisers are digging their own grave for there is no greater blunder than to suppose that Advertisement, however brilliant and persuasive can sell unsatisfactory goods. To advertise a commodity with a view to dupe is to court disaster. It is a play with fire. It takes the lifetime of a firm to recover from the repercussions of a bad publicity. A bad Advertisement ruins the seller, dupes the purchaser, brings down commercial morality and spoils the fair name of the medium of Advertisement. " The principal task of the school to-day is to develop the pupils up to the point when they are able to read advertisements. Then it is our turn—ours, the advertising men."

Cheques.

A Cheque is an important document that plays a great part not only in the business world but also in modern civilized society. It has become more or less the fashion of the day when demanding payment of an account to say " May I have the pleasure of receiving your cheque in settlement of my account ?" or some other words to the above effect and the olden day method of demanding payment of an account in cash has become almost a thing of the past. Yet the technicalities relating to such a common piece of paper as a cheque are not fully understood by all its users except a very few. Being a document of rapidly growing importance and of very great utility in the collection and transfer of debts, it is proposed, in a series of articles in this paper, to deal with it, in all its aspects, in as simple a style as possible, free from technical phrases, so that its technicalities may be easily understood by all.

What is a cheque? It is nothing but a short letter addressed to a Banker, by a person who has deposited his money with him on current account, asking him to pay on demand, the whole or a portion of it, either to himself or to his order. Suppose, A, leaves with B, Rs. 1,000/- on the understanding that B should pay A or to his order, either the whole or a portion of it, whenever he demands—and this exactly is the arrangement that exists between a banker and his customer when a current account is opened by the latter with the former—and after some days A requires say Rs. 100/-, in all probability he will write a letter similar to the following:

Madras, 10th January, 1933.

Dear Mr. B,

May I request you to be good enough to pay Mr. C, the bearer of this letter or to his order the sum of Rupees One hundred only and to place the same to the debit of my account with you ?

Thanking you in anticipation,

Yours sincerely,

A.

The above letter performs the same functions of a modern cheque and fulfills the requirements of the Law as far as a cheque is concerned. But the form of a cheque, adopted by modern bankers, is somewhat different and short. The following is the specimen of a cheque in common use now-a-days :

No. A/436592

Date 10th Jan., 1933.

THE SAFE & SECURE BANK, Ltd.
MADRAS.

In favour of Mr. C.

Rs. 100/-

No. A/436592 *Madras, 10th January, 1933.*

The Safe & Secure Bank, Ltd.
MADRAS.

Pay Mr. C. .... *or order*
or bearer

the sum of Rupees One hundred only.

Rs. 100/= **A.**

The right-hand portion of the above is the cheque proper. It will be seen that it does not contain the salutation, that the request for payment is not made in a roundabout manner and that the formal ending of a letter known as the complimentary close is completely omitted for the sake of brevity and simplicity. The left-hand portion is called the 'counterfoil' of a cheque and it is retained by the drawer for his future reference.

Now-a-days, customers are supplied by their bankers with cheque forms, free of charge, and it is likely that our readers may ask, why bankers do so, though the cost of elaborate printing, paper etc. amounts to no small sum. This they do with a view to being quite sure that every letter of the customer for which they pay is really a cheque and is within the definition of a cheque as given in the Negotiable Instruments Act, Act No. XXVI of 1881, so that they may obtain the legal protection afforded to them by it, when they honour a customer's order to pay, i.e., a cheque, under certain conditions. Imagine for a moment what will happen, if the bankers do not supply their customers with cheque forms free of charge and insist upon payment of a charge for each cheque form! Some may not object to pay the small cost, but the many who may object to pay the charge will begin to write letters in their own letter-heads of different sizes, causing much difficulty to the bankers in the matter of filing them, adopting a phraseology of their own and it will become very difficult for the bankers to scrutinise whether each and every such letter presented to them for payment is really a cheque as defined under the Negotiable Instruments Act.

It is quite legal to draw cheques on an ordinary paper and bankers are bound to honour them on presentation; but for reasons stated above and for the benefit of the customers themselves, as stated below, they

generally insist on their customers drawing cheques on the printed forms supplied to them. The customers are saved of the trouble of writing a complete letter, except the filling up of a few blank spaces. Any alteration made on the face of a cheque which is very carefully and elaborately tinted, will be easily noticeable and the number given to each cheque form will easily facilitate future enquiries, especially when a forgery in the signature of a customer or other malpractice is committed. Thus, both the banker and customer are benefited in the cheque forms being used instead of ordinary paper for drawing cheques.

Now, having discussed the general form of a cheque, we shall proceed to the definition of it about which much emphasis has been made before. A cheque may be defined as "A bill of exchange drawn on a banker payable on demand". To be more explicit, it may be defined as "A cheque is an unconditional order in writing, addressed by a person to a banker, signed by such person, requiring the banker to pay on demand a sum certain in money to or to the order of a specified person or to bearer." Thus it will be seen that a document to fulfil the conditions of a cheque should be:—

1. an unconditional order,
2. in writing,
3. signed by the person issuing it,
4. addressed to a banker,
5. related to a certain sum of money only, and nothing else,
6. payable on demand, and
7. to a certain person whose name must be mentioned, or to his order or to the bearer.

Most of the conditions enumerated above are self-explanatory except a few. A banker on whom a cheque is drawn, with an added instruction to pay it, only on receiving from the payee a signed receipt or a particular document, say a railway receipt or a bill of lading, will not be within the legal definition of a cheque and a banker so paying it with a view to obliging his customer will not obtain the benefits conferred on him by the above Act, in case it is afterwards proved that the payment has been made to an unauthorised person, or the document contained a forged signature of one of the endorsers. As regards the amount, the cheque should be for a definite sum of money only and nothing else.

The parties to a cheque. There are *three* parties to a cheque, viz., the Drawer, the Payee and the Drawee. The Drawer is the person, who having money of his own deposited with his banker, issues the order. The

Payee is the person to whom or to whose order the amount of the cheque is to be paid and the Drawee is the banker on whom the cheque is drawn. Thus in the specimen cheque given above, A is the Drawer, C is the Payee and the Safe and Secure Bank, Ltd., Madras, is the Drawee. It is not necessary that the payee should always be a third person; he may be the drawer himself. In that case the cheque will be drawn as "Pay *Self* or order," in case the drawer is an individual, and "Pay *Selves* or order" in case the drawers are a firm, or a group of individuals. Any how, it has three parties and the fact that the drawer and the payee are one and the same individual does not make any difference in the number of parties to a cheque.

As soon as a cheque is drawn by the drawer and in case the payee is a third person, it is immediately sent to him so that he may present it at the Bank at which it is payable and obtain payment. Here our readers have to note one important point. The payee is not bound to accept payment in the form of a cheque as he is bound to accept currency notes when they are offered to him. The acceptance of a cheque is left to his sweet will and pleasure and if he has no confidence in the drawer and the possibility of the cheque being honoured duly on presentation, he may refuse to take it and demand cash instead of it. This is because a cheque is not a "legal tender". By the term legal tender is meant, any form of money which if offered by a debtor in payment of his debt to a creditor must be accepted by him, viz. the creditor. Supposing the payee, who is the creditor agrees to receive a cheque from his debtor, the drawer, and after having received it, he should not change his mind the next moment and demand payment in cash by returning it. His duty is to present the cheque at the bank on which it is drawn, and ascertain its fate. If payment has been obtained the matter ends. In case the reverse happens, and it is only after it has been dishonoured by the bank, he has the right of returning it to the drawer and of demanding payment for it in cash.

It has been said before that the payee of a cheque should present it at the bank on which it is drawn within a reasonable time. Then what is the reasonable time allowed by law? This is really a matter to be decided according to the individual merits of each case and no hard and fast rule can be laid down in a matter of this kind. But the following may be cited as general rules to be observed by the payees and holders of cheques :—

(1) Suppose the banker on whom a cheque is drawn and the payee in whose favour it is made payable, both reside in one and the same place, then it is necessary that the payee should present it for payment at the banker's usual place of business, within the business hours, if possible, on the same day of receipt of the cheque, failing which, the presentation should be made the next day after the receipt at the latest. Presenting it for payment on the third day will *not be within the reasonable time.*

(2) Suppose the payee of a cheque and the banker on whom it is drawn reside at different places; then the payee should see that it is sent by post either to his agent at the place of payment or to the drawee banker direct, for presentation, at least the day after its receipt. In case the services of an agent are utilised, he has also the same time as the payee, viz., he can also present it for payment, the day after it has been received by him. If the payee delayed in sending it or if the agent after having received it delayed in presenting it and in the meanwhile the reasonable time has expired, then also presentation has not been made within the reasonable time.

(3) In the calculation of days as above, holidays or non-business days will not be taken into account. Thus, if a payee receives a cheque on a Saturday, drawn on a banker situated in a place different from his residence, he may send it by post direct to the drawee banker or to his agent for collection, on the same day if possible and if not, he may even send it on the following Monday. The reasonable time will expire, only on Tuesday; because the next day after its receipt is a Sunday, which is a holiday and the reasonable time continues up to Monday, the next working day.

Why is it necessary that the payee is to be so very careful in presenting a cheque within a reasonable time as stated above is a matter worthy of very serious notice by our readers. First, the Law does not expect a cheque, which is intended for immediate payment, to be in circulation for a long time, as promissory notes. Secondly the penalty for non-observance of the rule relating to presentation of a cheque is rather somewhat severe. Suppose the bank on which the cheque is drawn becomes insolvent on or before the day of presentation; then who is to bear the loss caused by the banker's failure? The Negotiable Instruments Act states that if the day of presentation of a cheque by a payee is *within* the reasonable time and the banker has failed in the meanwhile, then the Drawer is the person who

reasonable time will discharge the suretyship of the previous endorsers *vide* section 73 of Negotiable Instruments Act, and the only remedy of the holder, in case the cheque is dishonoured on presentation, is to approach for payment to the *Drawer and to him only* who may be unknown to him, at a distant place and in some cases may happen to be a man of no means. Hence it is always better to present a cheque within a reasonable time and thus retain the right of proceeding against the previous endorsers as well as the drawer.

(To be continued)

India's Public Debt.

BY

JAMNADAS M. MEHTA, ESQ., BOMBAY. *

A writer once remarked, he said, that one of the signs of a country's civilisation was its public debt; from that point of view, apparently England was more civilised to-day than she was immediately after the Napoleonic Wars! But he dared not say whether or not mankind had been benefited by the 'civilizing' agency viz., indebtedness. So far as India was concerned, indebtedness seemed to be nothing connected with civilisation or civilising influences but was merely an illustration of what a foreign country could do to a subject race, when it had charge of that (latter) country's finanes. The question of the public debt of India had come to the fore from 1929 and the Indian National Congress appointed a committee to go into the question in 1931, and the question had become more prominent very recently on account of the international situation following the problems of debts and reparations.

The public debt of India, he continued, was put down roughly at Rs. 1,200 crores though it would be impossible to give a figure that would be good for a week. These consisted of various elements, such as productive and unproductive debts, funded and unfunded ones, Provincial and Central Government loans, and losses on sales of silver in the currency department. Against these, according to the report of the Federal Finance Committee, there were sufficient assets to cover all these debts, in the railways, irrigation projects and public works. Again of the Rs. 1,200 crores of public debt,

* Extract from the address delivered by him at a meeting of the Madras Pachayappa's College Union on the 12th January, 1933.

only about Rs. 550 crores were payable to foreigners, mostly British, the rest being payable entirely to Indians. The report of the Congress Working Committee was that England owed 729 crores to this country. His own impression was that a strict account-taking would reveal that England owed India far more. But the question would be, not how much England owed India, but how India could collect the sum. The steps that India would have to take before she could recover the amount, put the very idea beyond practical politics. Again, supposing all these dues by England could be established and accepted by England, then he was sure England would not be in a position to pay up.

Then the other question was this,—could India repudiate the debts she is alleged to owe? Recently, the action of France in virtually repudiating her debt to America—she refused to pay the instalment due—lent colour to these ideas of repudiation. But any idea of repudiation would raise several issues. India could not repudiate the Rs. 700 or Rs. 750 crores she owed inside her shores without producing chaos in trade and commerce, ruining hundreds of investors, starving widows and setting orphans in streets, and destroying charitable, philanthropic and public institutions. This was out of question. As for the other Rs. 500 or Rs. 550 crores, would England let India repudiate the sum? The memory of what the allies did when the Soviet Russia repudiated the debts was, he said, too fresh in their minds for them to expect any such thing. England, he remarked, would see that India paid back the last farthing she owed her. The ordinances designed to recover land-tax and put down no-tax movement would give every one an indication of what to expect if India should repudiate her debts to England. Then again, what were the "safeguards" so much emphasised at the Round Table Conferences, for, except to secure England's sums lent to India! It was said these safeguards were in India's interests. Could they ever imagine of safeguarding of freedom? It was a contradiction in terms, a misuse of language which would be believed in only in a fallen country like India! The position he said was that India was wholly mortgaged until her dues to England were paid up.

Then what was the remedy he asked. One remedy that he would suggest, and that seemed to him the best, would be that the creditor country should cherish the debtor

country. After all the best guarantee of the creditor's interests and his sums was the safety and prosperity of his debtor. This was eminently proved in the case of Post-War Germany in reference to the question of reparations. India could ask England in the name of justice and fairness and the future relations between them, both to forego the debt and wipe the slate clean, and begin new relations on terms of equal partnership. Russia repudiated a debt to England, almost coming to the same sum as what India owed her; and yet England was seeking to-day to improve their mutual diplomatic and trade relations. Could not a similar effort be made at turning over a fresh leaf? If ever England were to be governed on socialistic principles, this principle of repudiation would be considered in the light of the capacity of the debtor to pay and the wisdom of extorting payments and not of the legality of the demand or of the business and interest due.

"It is to the interests of England and but justice to India that she should not claim the millions and we should give up the crores that England may owe us on strict accounting. Let the whole be removed and let a clean new start be made in our future relations. It is a question bristling with thorns and is not one merely of simple arithmetic. It is a political, social, economic and above all a human question. Unless England looks on it from the human point of view, there will be internal confusion and England and India can never be friends".—"*The Hindu*" *Madras*.

S. R. ACHARYA & SON,

CHIEF AGENTS

FOR

(Madura Town & District)

ATANK NIGRAH PHARMACY

of Jamnagar.

(Estd. 1861)

41, Danappa Mudaly Street,

MADURA. (S. India).

Government Technical Examinations.

APRIL, 1932.

BOOK-KEEPING.

LOWER GRADE—FIRST PAPER.

Time—Three hours.

(Answers must be clear and concise.)

1. Indicate how the *Journal* is also necessary for a business, though you have in use the Cash Book, Day Books, Returns Books and Bill Books.

2. What is stock-taking? How is the value entered against closing stock in the trading account arrived at?

A trader prepares his final accounts by roughly estimating the quantity and value of unsold stock on hand, at closing time, after making a casual survey of same. How do you think his trading results may be affected?

3. A trader maintains a Columnar Petty Cash Book according to the Imprest System and records therein from day to day all petty expenses paid out *on his own account* and *on behalf of his customers*. Rule a form of the book and make a dozen imaginary entries casting the total for the month, and explain how the items are posted.

4. On 30th June 1929, the Bank balance in Robinson's Cash Book was Rs. 3,375—10—6 in his favour. The Bank's certificate for the customer's balance was for Rs. 3,594—6—4. A comparison of the Pass Book and the Bank Account in the Cash Book revealed the following discrepancies :—

(*a*) On 15th January preceeding, a sum of Rs. 762 was remitted into Bank and debited in the Cash Book. Included in this amount was a cheque received from customer Brown for Rs. 12 which the Bank returned for irregularity in drawing. The proprietor advised that the amount would be paid promptly by Brown and that therefore no debit need be raised. On 18th January, Brown promptly sent in a fresh cheque for Rs. 12 which was put through the Cash

Book and was included with usual remittances into Bank.

(*b*) On 20th January, a sum of Rs. 20—3—4, interest credited by the Bank for the half-year ended 31st December previous, was put through the Cash Book as Rs. 23—4—0.

(*c*) A number of petty items totalling Rs. 1—6—0 for commission on cheques collected up to 10th April were left out from the Cash Book, and on this date an entry was put through, but the amount was entered as As. 1—6.

(*d*) On 15th April, intimation was received from Bank that customer Wilson's acceptance for Rs. 150, discounted with them previously, was dishonoured. Entries were passed through the books debiting Wilson and crediting Bills Receivable Account.

(*e*) The Bank column, debit, of Cash Book was overcast by Rs. 10 on folio 21, and the error carried forward to the end.

It was also found that the cheques were remitted into Bank on 30th June for Rs. 75 and Rs. 30 but the latter was not realised, being too late for the day's account; and of the cheques amounting to Rs. 950 posted to creditors on 28th June, cheques to the value of Rs. 425 were not presented till 2nd July following.

You are required to rectify, by means of Journal entries, the discrepancies and reconcile the Pass Book and Cash Book balances as on 30th June before closing the books.

5. Branson & Co., Rangoon, let their premises, with effect from 1st March 1929 to Goodwin & Sons, under a two years' rental agreement, according to which a sum of Rs. 1,700 is payable by the tenants—Rs. 1,200 being premium to keep off a competitor, and Rs. 500 caution money to be adjusted on the tenants vacating possession of the premises, at the end of the agreement period. The tenants are to pay a rent of Rs. 300 per quarter.

The sum of Rs. 1,700 was duly paid on 1st March, and rent was regularly paid on the 5th of the month succeeding each quarter,

the last of such payments being made on 5th September 1930.

The premises were vacated on 1st March 1931, and a cheque was remitted for the balance due, including a sum of Rs. 37—8—0 being estimated cost of repairs.

Goodwin & Sons close their books on 31st December each year. Show how the above transactions would appear in their books throughout the period and in the balance sheet for the years 1929 and 1930.

6. Joseph & Co., Bezwada, started business as printers on 1st January 1928; machinery had been imported, invoice value, Rs. 3,000 (C. I. F.) They had paid 1 per cent, duty and Rs 60 railway freight.

On 31st December 1930, the machinery account was shown in the books at Rs. 2,550, Rs. 150 being written off each year. Before closing the books for the year, they ascertained that the same machinery could be bought at that time for Rs. 2,500 and on this basis, they reduced the book value of the machinery to Rs. 2,125 allowing the usual 5 per cent depreciation. The machinery is expected to be worked effectively for a period of 20 years.

State if the procedure adopted by the firm is correct. If it is not, show how you would rewrite the machinery account as it should appear throughout the period and what adjustments will be necessary to bring down the asset at its proper value, as at 31st December 1930.

7. On 1st February 1930, C. N. Kiliker &Co., Bangalore, ship per S. S. *Jalabala* to Maung Ba Tun, Rangoon, 200 bags of coffee seeds, weighing 302 cwts. 3 quarters gross; tare 2 cwts. 3 quarters for sale on their account and risk under a pro-forma invoice price of Rs. 90—4—0 per cwt.

The Consignors pay the following charges :—

Cartage, boat hire, shipping dues, etc. Rs. 135;

Freight at Rs. 18—8—0 per ton of 20 cwts;

Insurance 1 per cent. on invoice value inclusive of expenses *plus* 5 per cent. for profit.

The consignors draw on the consignee at one month after sight for Rs. 10,000 and negotiate same, with documents, through the Imperial Bank of India, Mangalore.

On 18th February the consignee accepts the draft (paying same on the due date) and clears the consignment, paying the following expenses :—

	Rs.
Landing and pier dues, etc.	75
Wages, cartage, etc.	95

The coffee is sold at an auction on 15th March in 3 lots of 75 cwts. each for Rs. 112, Rs. 110—8—0 and Rs. 104—8—0 per cwt. respectively. The balance of consignment, less driage 2 quarters was taken over by the consignee for his own account at the average of auction prices.

The consignee makes the following disbursements:—

	Rs.
Advertising	25
Auctioneer's commission, ½ per cent.	
Insurance (fire), ⅛ per cent. on	22,000

On 22nd March the consignee rendered account sales charging Rs. 55 rent and commission 1 per cent. on gross sale-proceeds and remitted the balance due less 2 annas per cent., Bank commission by means of a demand draft.

Show the Ledger accounts affected in the consignor's books.

8. W. Kelley, grocer, closes his books on 31st December 1928. On 1st January of the year the *Bad Debts* account in his Ledger showed a reserve of Rs. 340 brought down from the previous year. A schedule of sundry debtors was prepared on the closing date and totalled Rs. 6,674—12—9.

The following particulars are supplied to you:—

(1) Debts time-barred and otherwise also irrecoverable—
T. Hardy, Rs. 274-10-0; W. Jones, Rs. 88; B. Bappu Rs. 12-2-9.

(2) Three other accounts of the debtors, who had filed petitions in insolvency, totalled Rs. 460, and a dividend of 4 annas in the rupee is expected to be paid in January of the succeeding year.

(3) In respect of a debt for Rs. 360 due by one A. Smith, written off as totally bad in December 1927, a cheque for a dividend of 3 annas in the rupee was received on 30th December 1928 and this was not put through the books.

(4) Only 50 per cent is expected to be realized in respect of two more cases of debtors whose accounts total Rs. 540.

The rest are considered good.

You are required to give journal entries to adjust the bad debts account approximating the amount of reserve to the nearest round figure in tens; also show how the bad debts will appear in the Profit and Loss Account and the item of Sundry Debtors in the Balance Sheet.

(*Key next issue*).

Review.

The Phonographic Messenger

EDITED BY

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Nazirabad, Lucknow.

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